

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 EUR-12 ISO-00 TRSE-00 XMB-02 COME-00
OMB-01 AID-05 IGA-02 CIAE-00 INR-07 NSAE-00
DODE-00 INRE-00 SSO-00 STR-05 L-03 CEA-01 EA-10
FRB-03 IO-13 NEA-10 OPIC-03 SP-02 LAB-04 SIL-01
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TO AMEMBASSY PARIS IMMEDIATE
INFO AMEMBASSY KINSHASA
AMEMBASSY BONN

C O N F I D E N T I A L STATE 284665

PASS DEPUTY ASSISTANT SECRETARY MEISSNER

E.O. 11652:GDS

TAGS: EFIN, CG

SUBJECT: ZAIRE DEBT RESCHEDULING

REF: (A) OSLO 5315,(B) PARIS 34360, (C) STATE 279925

1. AFTER CAREFUL CONSIDERATION OF PROPOSAL REF (A) REGARDING ESTABLISHMENT OF IMF ACCOUNT FOR COLLECTION OF ZAIRE DEBT SERVICE, WE HAVE CONCLUDED THAT IT WOULD BE INAPPROPRIATE FOR IMF TO TAKE ON SUCH A ROLE. WE THEREFORE SUGGEST THAT THIS IDEA NOT BE RAISED AT MEETING WITH
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GOZ MINISTER KIAKWAMA.

2. WE AGREE ON NEED TO OFFER GOZ ENCOURAGEMENT IN ITS EFFORTS TO IMPROVE ECONOMIC PERFORMANCE. WE BELIEVE THIS COULD BE DONE BY AGREEING TO RESCHEDULE ARREARAGES ON INTEREST PAYMENTS FALLING DUE DURING THE SECOND HALF OF 1977, AND BY GIVING THE GOZ A CLEAR POLITICAL SIGNAL RE-

GARDING OUR WILLINGNESS TO COOPERATE ON 1978 MATURITY PROBLEM.

(A) THE RESCHEDULING OF INTEREST PAYMENTS FALLING DUE DURING THE SECOND HALF OF 1977 SHOULD BE CONDITIONED ON EVIDENCE OF ZAIRE'S CONTINUED COMMITMENT TO AN IMF ENDORSED STABILIZATION PROGRAM AND TO THE PRINCIPLE OF COMPARABLE TREATMENT WITH PRIVATE CREDITORS. THE TERMS OF RESCHEDULING THE INTEREST ARREARAGES SHOULD BE THE SAME AS PROVIDED IN THE 1977 PARIS CLUB AGREEMENT FOR INTEREST AND PRINCIPAL FALLING DUE DURING THE FIRST HALF OF 1977.

(B) THE USG SHOULD ADVISE GOZ REPRESENTATIVES TO PARIS CLUB, AS WELL AS OTHER CREDITORS, THAT ONCE THE GOZ HAD REACHED AGREEMENT WITH THE IMF ON AN IMF ENDORSED PROGRAM AND ONCE THE AGREEMENT WITH THE PRIVATE CREDITORS WAS CONCLUDED, THE USG IS PREPARED TO MEET AGAIN IN PARIS CLUB FRAMEWORK TO SYMPATHETICALLY CONSIDER ISSUE OF 1978 MATURITIES.

3. WE BELIEVE THE TWO POINTS NOTED ABOVE SHOULD PROVIDE ADEQUATE ASSURANCE TO GOZ THAT WE ARE WILLING TO COOPERATE IN HELPING ALLEVIATE CURRENT FINANCIAL PROBLEMS WHILE AT SAME TIME ENCOURAGING THEIR EFFORTS TO DEVELOP AN IMF ENDORSED PROGRAM. WE DO NOT BELIEVE THAT A CONDITIONAL AGREEMENT FOR 1978 IS APPROPRIATE AT THIS TIME SINCE IT CONFIDENTIAL

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WOULD REDUCE CREDITOR COUNTRY LEVERAGE TO EFFECT IMPROVEMENTS IN GOZ PERFORMANCE.

4. THE ISSUES OF INSTITUTIONAL REFORM IN THE PARIS CLUB AND TREATMENT OF PAKISTAN DEBT SITUATION WILL HAVE TO BE THOROUGHLY THRASHED OUT IN WASHINGTON BEFORE DISCUSSIONS WITH FRENCH OR OTHER PARTIES. VANCE

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